


Tax Commission

# IDAHO

## LUMBER MANUFACTURING



An  
Educational  
Guide to  
Sales Tax in  
the State  
of Idaho

This brochure is intended to help lumber manufacturers understand the sales tax laws that apply to their business. This information is based on the sales tax laws and rules in effect on April 1, 2003.

## CAN A LUMBER PRODUCER MAKE TAX-EXEMPT PURCHASES?

Many of the purchases made by lumber producers are tax-exempt because of the *production exemption*. (See Brochure #30.) In order for a lumber producer to make exempt purchases, he must either:

1. Give the vendor a completed form ST-101, Sales Tax Resale or Exemption Certificate, for his files, or
2. Complete a shorter, stamped or printed version of the ST-101 each time he makes a purchase. For more information on exemption claim forms, see Brochure #5.

## WHAT ITEMS CAN I BUY TAX-EXEMPT?

Raw materials and equipment directly used in the production of lumber products are exempt from sales and use tax.

The following types of equipment are exempt:

- Log loaders
- Sprinkler equipment used to prevent product deterioration
- Debarkers
- Conveyor belts and other equipment primarily used to move logs or lumber through the production process
- Chippers
- Saws
- Edgers
- Trimmers
- Planers
- Dry kilns – including fire brick, steam pipe and fans inside the kiln (but not including buildings or other improvements to real property)
- Boilers that produce steam to operate production equipment (but not including materials that are incorporated into real property)
- Equipment used to collect waste products used as “hog fuel” for the boiler
- Equipment primarily used to fabricate or install production equipment
- Generators to produce electricity that powers production equipment (co-generation equipment is taxable)

## ARE REPAIR PARTS AND SUPPLIES FOR PRODUCTION EQUIPMENT EXEMPT?

Repair parts, lubricants, hydraulic oil, coolant, fuel and other supplies or replacement parts used on exempt equipment are also exempt from sales tax.

## IS POLLUTION CONTROL EQUIPMENT EXEMPT?

Yes, as long as the equipment is required by a state or federal agency that has the authority to regulate air and water quality emission standards. This exemption applies only to personal property; it does not apply to materials that will be incorporated into real property.

## WHAT ABOUT SAFETY SUPPLIES?

Safety supplies are exempt from tax if they are required by a state or federal agency and are used directly in a production process. Safety supplies such as first aid kits or fire extinguishers are taxable if used in a nonproduction area, like an office.

## WHAT TYPE OF PURCHASES ARE TAXABLE?

The following are generally taxable:

- Recreational vehicles, such as off-road motor-bikes, ATVs or snowmobiles, regardless of how they are used
- Aircraft
- Office equipment and supplies
- Hand tools with a unit price of \$100 or less (these are always taxable, regardless of how they are used)
- Equipment and supplies used in selling and distribution or transportation activities
- Paint, plastic coatings and similar products used to maintain equipment
- Saw filing equipment and supplies, such as grinders and grinding wheels
- Equipment used to load lumber products onto railway cars and trucks
- Air bags and lumber used as dunnage to protect lumber products during shipping
- Strapping or binders used to secure lumber on railroad cars or trucks
- Equipment used to repair production equipment
- Materials that will be incorporated into real property
- Equipment, material and supplies used in research and development

- Licensed motor vehicles and trailers, except:
  1. Trailers licensed under the International Registration Plan (IRP) or similar pro rata plan and part of a fleet used at least 10% of the time outside Idaho; and
- 2. Trucks and buses with a gross vehicle weight of more than 26,000 pounds and meeting the other requirements for (1) above.

## ARE SHIPPING SUPPLIES TAXABLE?

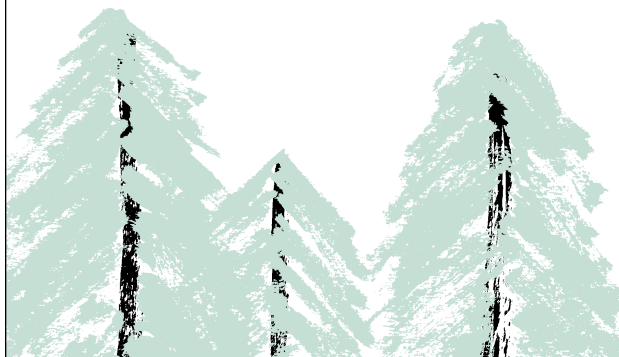
Generally, supplies and equipment used in the shipping department are taxable.

However, lumber wrap and steel banding used to package the product are exempt from tax because they form a container that is shipped to the customer with the lumber.

## WHAT IF I CHANGE THE USE OF MY PRODUCTION EQUIPMENT?

If the equipment you buy tax-exempt to use directly in your production process is later put to a nonproduction use, you must pay use tax on the fair market value of the equipment when its primary use changes from an exempt activity to a taxable one.

**Example:** A lumber mill pays no tax when it buys a forklift to transport unfinished products from one manufacturing line to the next. Two years later, the forklift is moved to the shipping department to load finished products on trucks. Use tax is now due on the fair market value of the forklift because its primary use has changed to a taxable activity.



## WHAT IF I PAY TAX ON EQUIPMENT AND USE IT LATER IN A PRODUCTION AREA?

You cannot get a refund of tax paid on equipment that was originally used in a taxable activity and later changed to a production activity.

## DO LUMBER PRODUCERS HAVE TO COLLECT TAX FROM THEIR CUSTOMERS?

Sales of lumber products that are delivered out of state are exempt from Idaho sales tax. A seller must keep adequate records to support the exemption. Invoices (such as bills of lading) that show the out-of-state destination and shipping data are sufficient to show that the sale was exempt.

The sale of firewood is not taxable. You do not have to get an exemption claim form from the customer if your records show that he bought firewood. If you wish, you may document the sale on a form ST-101.

If you deliver lumber or by-products (other than firewood) to a customer in Idaho, you must charge sales tax unless the customer qualifies for an exemption and gives you a completed form ST-101.

Sales of business assets are also taxable, even if the assets are something you would not sell in the ordinary course of business. For instance, if you sell a car to someone other than a car dealer, you must collect sales tax from the buyer.

Finally, sales to employees and other miscellaneous sales made directly to consumers are taxable.

## FOR MORE INFORMATION, READ:

Brochure #2	Use Tax
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Brochure #30	The Production Exemption
Rule 079	Production Exemption
Rule 080	Lumber Manufacturing
Rule 101	Motor Vehicles and Trailers Used in Interstate Commerce
Rule 128	Certificates for Resale & Other Exemption Claims

This brochure was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Idaho State Tax Commission or a qualified tax practitioner.

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